

South Carolina
DEPARTMENT OF HEALTH AND HUMAN SERVICES
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Hosp

September 21, 2011

MEDICAID BULLETIN

TO: Providers Indicated

**SUBJECT: I. All Patient Refined Diagnosis Related Grouper (APR-DRG)
II. Hospital-Acquired Conditions (HACs)**

I. All Patient Refined Diagnosis Related Grouper (APR-DRG)

The South Carolina Department of Health and Human Services (SCDHHS) will implement a new DRG Grouper for all inpatient hospital claims with dates of discharges on or after October 1, 2011. APR-DRG version 28 will replace the current 3M grouper version 24 with crosswalk.

A number of changes have been made to simplify payment calculations that include:

- Relative weights that were based on South Carolina data will be replaced with relative weights based on national data (since the national data are comparable to the South Carolina data);
- Day outlier payments will be discontinued; and
- Per diem payment for some low-volume, neonatal intensive care, psychiatric and rehabilitation stays will change to case-based payment using DRGs;
- Discontinued payment for capital.

All changes are budget-neutral. For example, discontinuation of separate payments for capital will result in savings that will be used to increase DRG base payments. Payment policies and calculation formulas for supplementary DSH payments and direct and indirect medical education payments will not be affected.

Payments based on APR-DRGs will continue to reflect hospital-specific discharge rates. The Department will continue to review and recalculate the DRG discharge rates each year so that interim payments will approximate final payments for each hospital. We will advise each hospital of its specific rate before implementation, along with informing each hospital of the hospital-specific cost-to-charge ratios that will be used to calculate cost outlier adjustments.

SCDHHS has made available a DRG Pricing Calculator that will show detailed pricing calculations and a Frequently Asked Questions (FAQ) document on our website at www.scdhhs.gov. 3M Health Information Systems has agreed to provide all South Carolina hospitals with access to an APR-DRG Grouping Calculator at no charge. The calculator is a webpage that enables the user to enter diagnosis, procedures and other claim data to see the step-by-step assignment of the APR-DRG. For the webpage address and password, contact Mr. Brian Miller via email at btmiller@mmm.com or (770)-218-8221.

II. Hospital-Acquired Conditions (HACs)

The Centers for Medicare and Medicaid Services (CMS) requires Medicaid programs nationwide to demonstrate that they are not paying for Hospital-Acquired Conditions (HACs); CMS' list of HACs can be found at <http://www.cms.gov/HospitalAcqCond>. The APR-DRG software will identify diagnoses that meet the definition of a HAC. The grouper software will then ignore the HAC and assign a DRG as if it were not present. During the cost settlement process, adjustments will be made so that hospital costs associated with HACs are not reimbursed by SCDHHS. The proposed regulation also extends the nonpayment policy to Medicaid contracts. Therefore, the Managed Care plans will be required to not pay for HACs.

CMS' list of HACs includes, but is not limited to surgeries performed erroneously. An inpatient claim with diagnosis codes for surgeries performed erroneously, E876.5 (Performance of wrong operation/procedure on correct patient), E876.6 (Performance of operation/procedure on patient not scheduled for surgery) or E876.7 (Performance of correct operation/procedure on wrong side/body part) will not be paid and will reject with edit code 334 (Erroneous Surgery – Do Not Pay). The regulation allows states to define HACs (or “provider preventable conditions”) that the state may add to the list published by Medicare. At this time, South Carolina will not add to the CMS listing.

If you have any questions regarding this bulletin, please contact your Program Representative in the Division of Hospital Services at 803-898-2665. Thank you for your continued support and participation in the South Carolina Medicaid program.

/s/
Anthony E. Keck
Director